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NATIONAL
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Thursday, 5 June 1990



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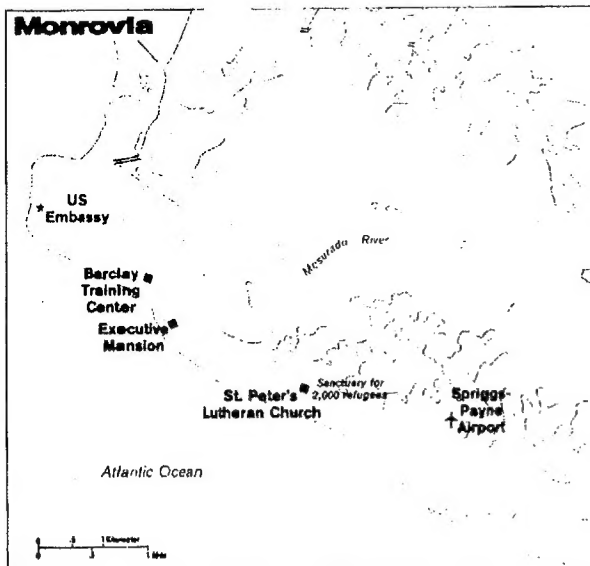
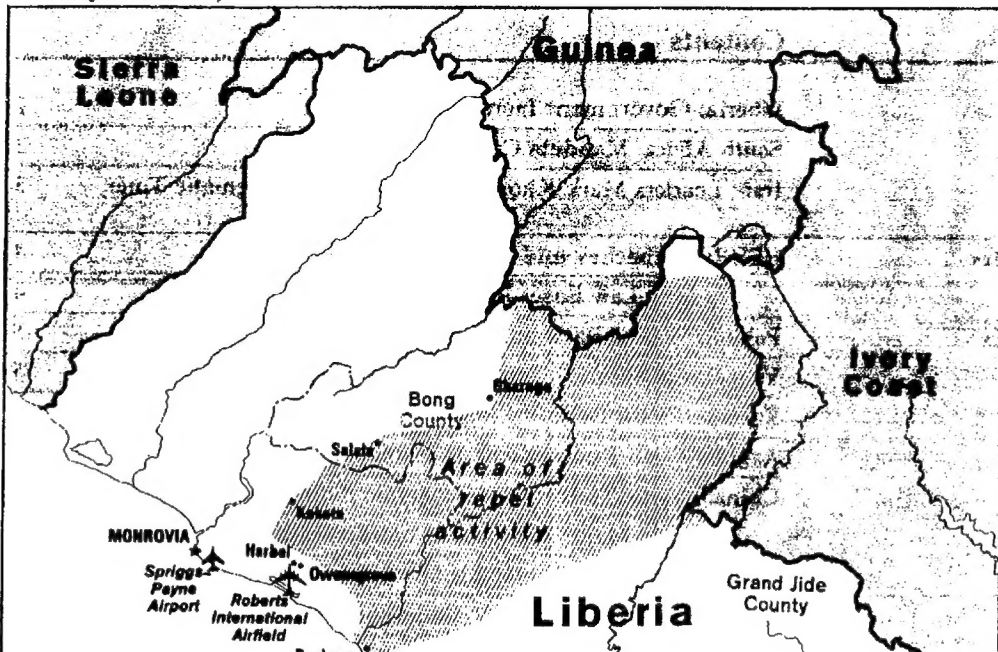
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Military Situation, 4 June 1990



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LIBERIA:

Government Increasingly Crippled

The army's incompetence and President Doe's unwillingness to step down in favor of an interim government are leaving the regime vulnerable to the next rebel push.

Liberian army ineptitude has caused confusion about the status of Roberts International Airfield. the rebels have not taken the nearby towns of Owensgrove and Harbel. An army unit returning from Buchanan was attacked by another government patrol at Owensgrove. Each thought the other was a rebel unit and reported the incident, "confirming" a rebel attack. The army believes it still occupies Owensgrove, and about 35 soldiers remain in the vicinity of the airfield. As a result of the reported attack, however, international airlines have suspended service to the airfield.

soldiers are continuing to desert; only about 125 to 150 soldiers are stationed between Monrovia and Roberts Airfield, of which only 100 remain at Camp Schieffelin about 15 miles from the airfield. The army reportedly rounded up 380 army stragglers yesterday at Barclay Training Center and plans to send them to the 1st Battalion at Camp Schieffelin.

Doe reportedly still insists that the military situation is not irreversible and that he will stay in power until the election in 1991.

Meanwhile, large crowds of Krahs have been seen trying to get rides on taxis and buses heading to Sierra Leone and gathering at Spriggs-Payne Airport to get flights to Grand Jide.

Comment: Confusion and disorganization in the military underscore the increasing difficulty the army is likely to have mounting a credible defense of positions near the capital, particularly if the rebels launch their promised attack on the airfield. It is doubtful that anyone in Monrovia will muster the courage to confront Doe directly about stepping down. Even if someone does, Doe is unlikely to be swayed.

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SOUTH AFRICA: Mandela Casting a Wide Net

Nelson Mandela, the ANC's deputy president, continues to reach out to other antiapartheid groups, to black municipal and homeland officials, and to the European Community in an effort to unite the black opposition and to mobilize further international support.

Mandela is initiating talks with an array of antiapartheid rivals:

- He met last weekend with a senior leader of a top black exclusivist group to discuss clashes between their organizations that resulted in four deaths last week.
- He met with a leading township official to explore providing land for returning ANC exiles.
- The ANC confirmed that it will talk soon with its oldest rival, the Pan-Africanist Congress.
- ANC officials have also made overtures to a recently resigned senior official of Inkatha, the large Zulu-based political movement.

Mandela heads for Europe tomorrow to visit France, the UK, West Germany, Italy, Belgium, Ireland, and Switzerland. Moscow was not on the itinerary announced this week, but Mandela apparently plans to visit the USSR before coming to the US later this month.

Comment: ANC leaders are struggling to put an end to the continuing violence Mandela admits is partially being caused by undisciplined ANC supporters. Meeting with municipal leaders might help reduce the longstanding bitterness antiapartheid groups have felt toward black municipal authorities, who have been condemned and sometimes assassinated for working within the apartheid system.

Mandela will use his European tour to try to shore up EC support for sanctions—flagging since the largely favorable reception President de Klerk enjoyed last month—but he may have more success appealing for funds to aid the ANC's organizational efforts in South Africa. The ANC has not announced an end to the armed struggle, and Mandela probably will ask the USSR—as he probably asked Libya, Algeria, and Nigeria last month—for more military aid as a fallback should negotiations falter.

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IRAN:

Leaders Mark Khomeini's Death With Pragmatic Tone

Speeches and articles by senior Iranian officials commemorating yesterday's anniversary of Ayatollah Khomeini's death suggest that pragmatic economic goals are being given priority over radical political agendas.

Khomeini's son Ahmad on Saturday called for the country to unite behind Supreme Leader Khamenei and to support the Rafsanjani government's policies in order to "implement the Imam's line." In a speech yesterday, Khamenei emphasized that successful economic reconstruction is the best way to disarm the US—still labeled Iran's primary enemy. President Rafsanjani hailed Khomeini's pragmatic decision to end the war with Iraq and lauded the Ayatollah's foresight in providing for leadership after his death.

Ali Akbar Mohtashemi-Pur, a prominent radical in the Consultative Assembly, sounded a harsher note. An Iranian daily quoted him as arguing that Iran should not focus on its economy at the expense of "forgetting . . . the deprived people of the world" and as calling for attacks against US interests worldwide.

Comment: Mohtashemi's remarks notwithstanding, the overall tone of the commentary was much less inflammatory than usual. Ahmad Khomeini's words have symbolic weight because he is a primary interpreter of his father's legacy. His remarks are the clearest indication to date that he is moving away from a hard line and closer to the positions of Khamenei and Rafsanjani. The "Imam's line" is a code for those competing to inherit Khomeini's ideological mantle; Ahmad's words are meant to suggest that Khomeini would have approved of the economic reconstruction program.

The commentary is an important endorsement for Khamenei and for Rafsanjani's efforts to focus government policy on rebuilding Iran's devastated economy; Iran will need Western financing to succeed. Khamenei's speech suggests that, although most senior Iranian leaders remain committed to promoting militant Islam, they consider domestic reconstruction their highest priority.

Mohtashemi's remarks are a reminder that the hardliners will not be silenced. At present, however, their concerns are acknowledged, but they are not considered part of the mainstream. The radicals probably will try to undermine pragmatic policies by complaining that economic programs do not help the poor and perhaps by organizing street rallies around controversial policies or against pro-Rafsanjani officials.

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~~Top Secret~~**USSR: Gorbachev and Yel'tsin Moving Closer**

With growing incentives to work together, President Gorbachev and Russian Republic Chairman Yel'tsin have adopted conciliatory tacks. Gorbachev's statement on Sunday crediting Yel'tsin for moving back toward the center is his most positive since they split in 1987, and Yel'tsin continues to press for an early meeting with Gorbachev. The divided Russian Republic legislature yesterday again failed to accept a new set of candidates for republic deputy chairmanships. This group was proposed by Yel'tsin; previous groups had been proposed by committee.

Comment: Any modus vivendi between the two men is likely to be shaky. Gorbachev probably hopes the legislature's continued fractiousness will force Yel'tsin to moderate his positions further. If he refuses to meet Yel'tsin soon after he returns from the US, however, their personal conflict probably would boil over again, and Gorbachev's public standing might suffer a further setback.

USSR: New Law Eases Reins on Enterprises

The new law on enterprises, approved yesterday by the Supreme Soviet, is meant to increase competition and reinforce the notion—still novel in the USSR—that profit, rather than ministerial command, should guide economic decision making. The law increases the autonomy of state enterprises by removing some restrictions on how they can set prices and use their profits and by allowing them to establish independent associations not subject to ministerial control. It also purports to give enterprises run by organizations of leaseholders, cooperatives, and shareholders equal status with state-run enterprises.

Comment: Despite this expansion of rights, key controls over enterprise behavior remain in Moscow's hands. Centrally mandated output targets, although set to be reduced, will remain in force for at least another year, and firms operating under state orders will still have first priority in the allocation of scarce resources. A separate law now under legislative review would restore a strong state role in the selection of directors of state enterprises, rescinding a 1987 provision that called for their election by the workers.

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YUGOSLAVIA: Slovenia Initiates Drive for Autonomy

The new government in the Republic of Slovenia is moving quickly to challenge Belgrade on two key matters: it is calling for military conscripts to serve only in their home republic, and it has announced further unilateral reductions in tax payments to the federal government. Slovenia's new Prime Minister, Lojze Peterle, recently said the federation's system of funding economic development of the poorer regions is outdated and could bankrupt Slovenia, according to press reports.

Comment: The military force is one of the few remaining Pan-Yugoslav institutions, and military leaders will oppose the Slovene proposal as an attempt to eviscerate it. The termination of tax payments to the federation is also a serious challenge to Belgrade's authority. The federal Presidency and cabinet nevertheless may have to accept Slovene demands rather than risk splitting the armed forces.

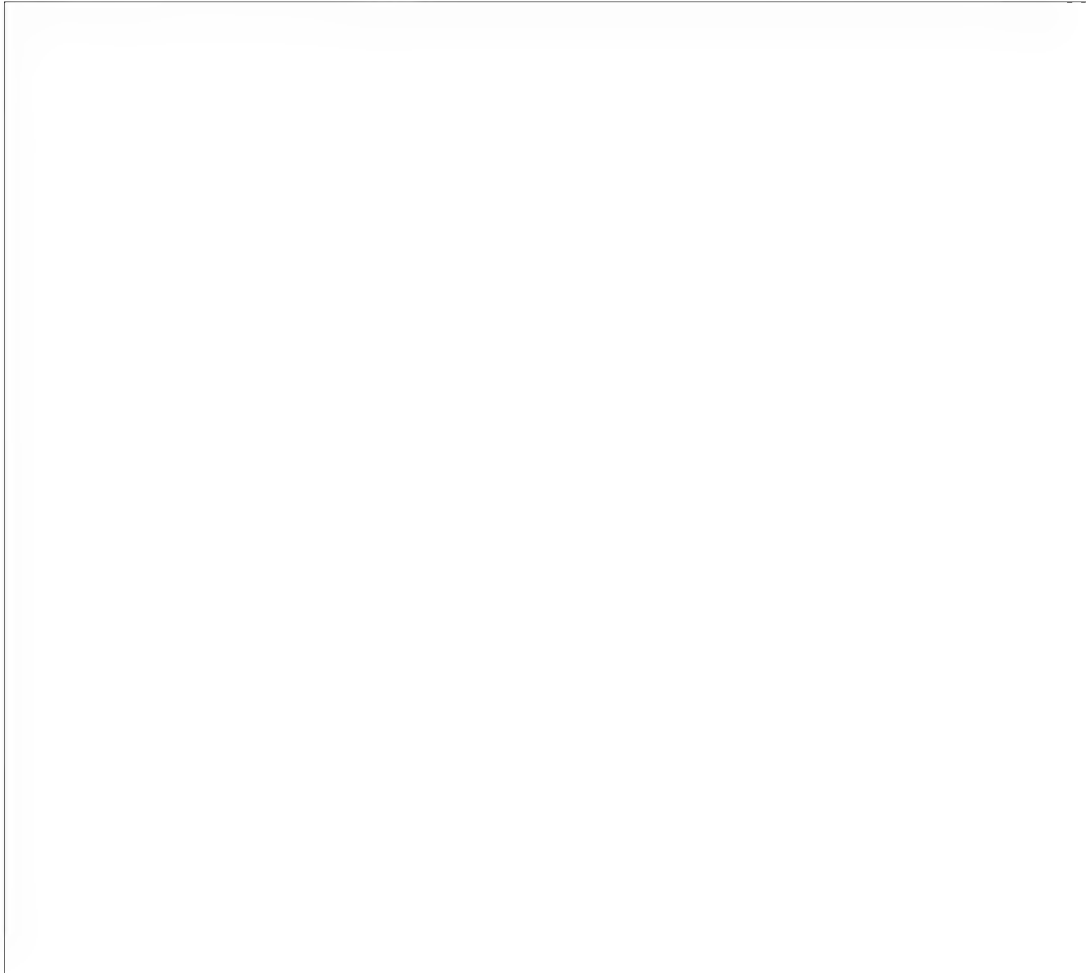
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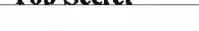
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CHINA: Trying To Improve Economic Reform Image

Chinese press reports are showcasing new economic measures, evidently trying to demonstrate renewed reform momentum. Beijing reportedly gave the go-ahead over the weekend to open the country's first futures market—for wheat—and announced plans to establish others for rice, corn, and pork. China will open its first full-fledged stock market in the Shenzhen Special Economic Zone later this year. Chinese officials told an international symposium last week China will soon develop experimental securities exchanges to trade government bonds in Shanghai and Shenzhen and expand securities trading elsewhere.

Comment: The recent announcements probably are the start of a media offensive to soften Beijing's hardline image and convince the world that China is stable. Beijing hopes to induce full-scale lending by the World Bank and to restore other aid. Hardline leaders also apparently want to improve their personal images.

Premier Li Peng is trying to portray himself as the champion of economic reform; he publicly endorsed the creation of a new foreign investment zone in Shanghai. The new measures, under discussion for several years, will have little economic impact without key market reforms, such as enterprise bankruptcy and price decontrols; these have been stalled since late 1988.

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TAIWAN: Budget Planners Yield to Public's Demands

For the fiscal year beginning in July, Taiwan's legislature last week approved a 20-percent increase in spending that will boost domestic demand and stimulate the economy. [redacted]

[redacted] industrial output fell at about a 1-percent annual rate in March, the third such drop in four months. The budget will sharply increase spending on infrastructure and other economic development projects and on social welfare. The defense share will decrease slightly, although the absolute amount spent on the military will increase 18 percent over FY 1990 and will remain the largest component of the budget. The planned deficit for the year, about 4 percent of GNP, will be the biggest in the island's history. [redacted]

Comment: In addition to giving the economy a boost, the government evidently hopes spending will satisfy demands for improvements in housing, roads, and pollution and crime control by a populace that is playing an increasingly important role in the political process. The growth in the defense budget probably is needed for ongoing weapons programs, such as the Indigenous Defense Fighter, Perry-class frigates, and advanced tactical missiles. The deficit reportedly will be financed partly from the sale of public bonds, which should help prevent the deficit from fueling inflation—about 5 percent last year, the highest level since 1981. [redacted]

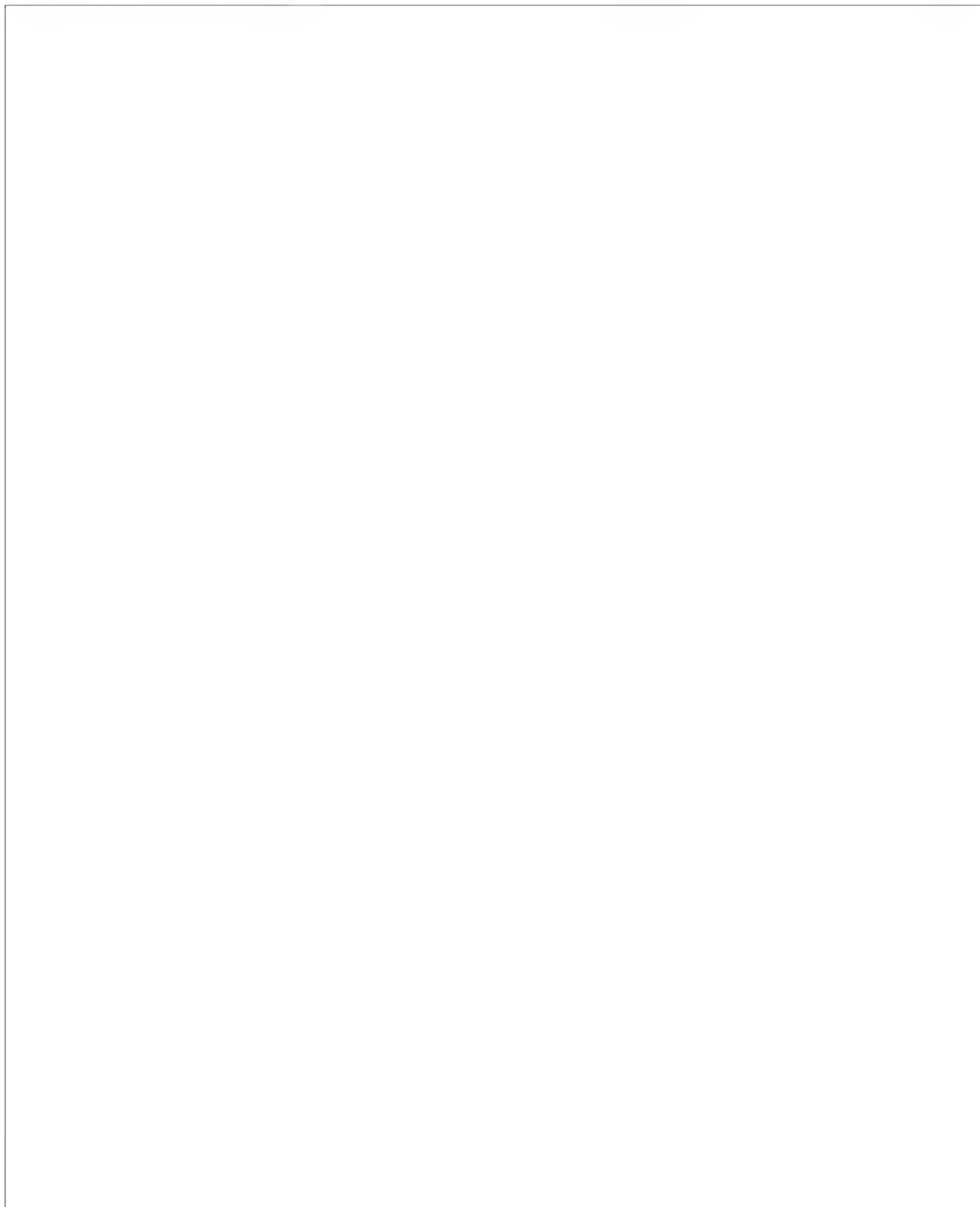
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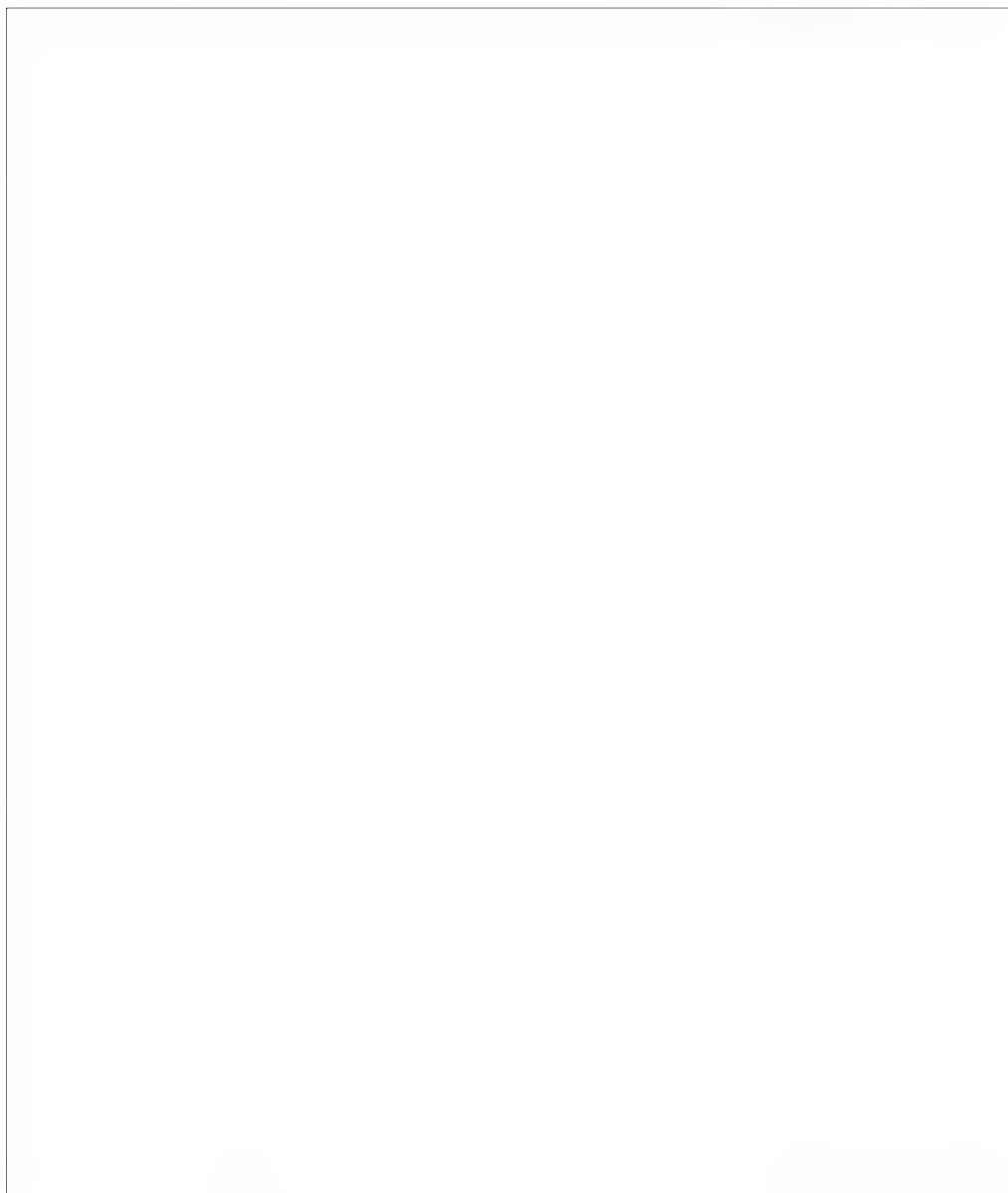


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TAIWAN: Reacting to Trade Deficit With Japan

The second sentence in the Note in the 4 June *Daily* should read:
"Taiwan ran a \$7 billion trade deficit with Japan last year; the deficit grew at a 22-percent annual rate through April to reach \$2.5 billion so far this year, almost offsetting Taiwan's trade surplus with the US for the first time."

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In Brief

USSR

- Ukrainian party chief Ivashko elected chairman of republic's Supreme Soviet yesterday . . . 110 Rukh-backed deputies walked out, protesting his holding top party, government posts . . . split in legislature will force him to compromise with nationalists.
- Soviet party cadres secretary Georgiy Razumovskiy yesterday failed in first election bid for July party congress . . . two other senior officials won only by running in rural districts . . . shows grassroots dissatisfied with national party leadership.

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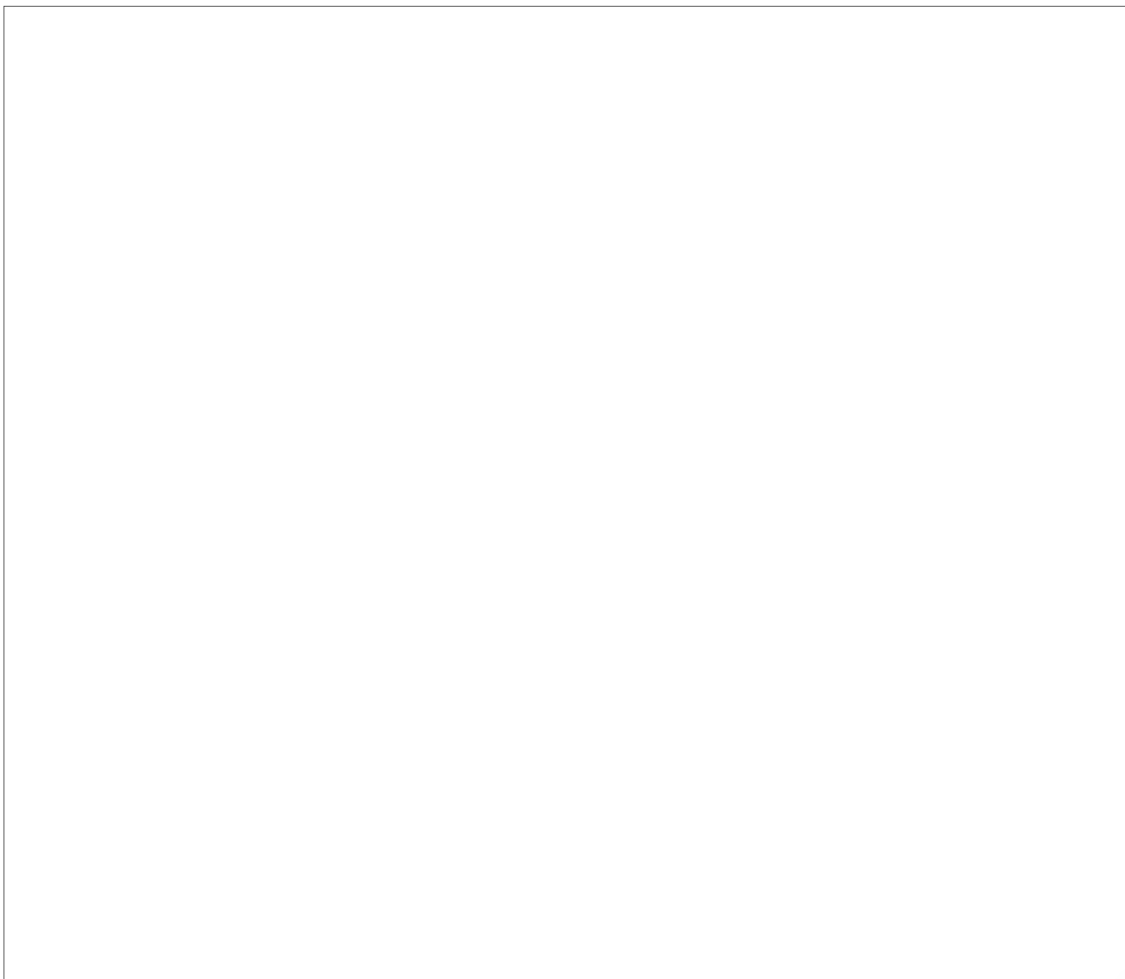
— Reelection of former **Polish** Communist party Politburo member Alfred Miodowicz to lead Communist union presages more attacks on Warsaw's economic policies . . . likely to frustrate union's efforts to gain legitimacy soon.

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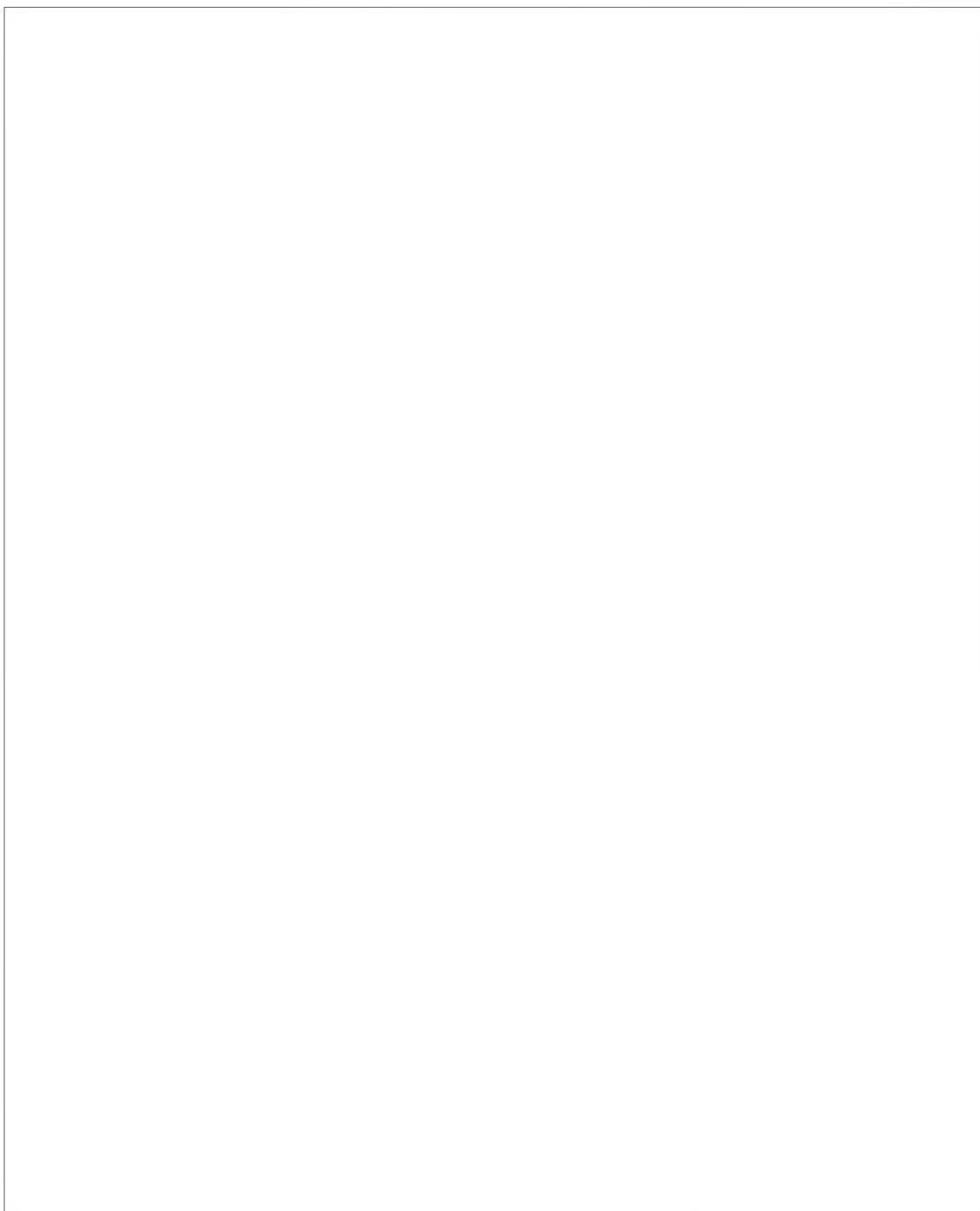
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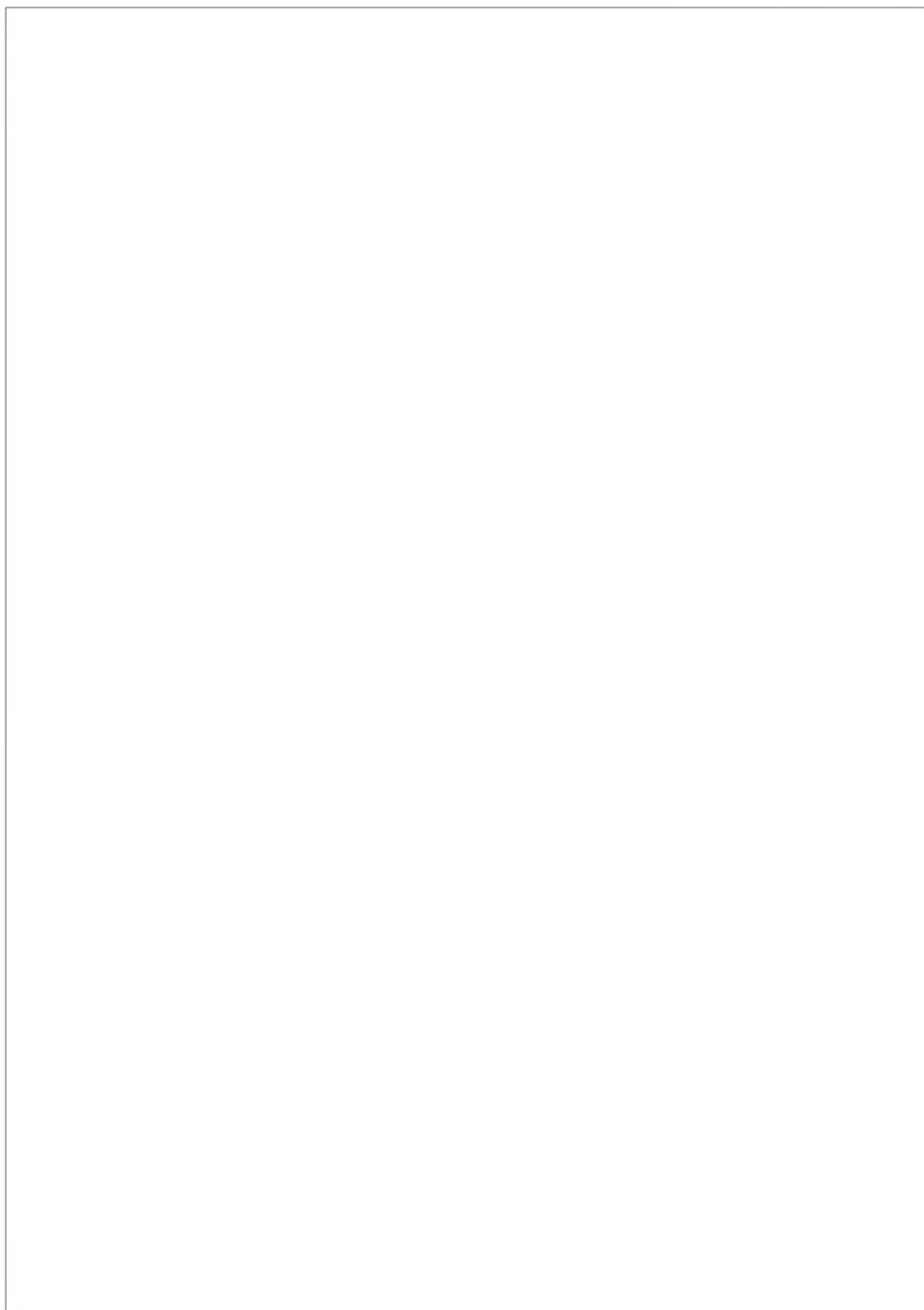


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